

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: June 26, 2008
POSITION: Oppose
SPONSOR: State Controller's Office

BILL NUMBER: SB 1319
AUTHOR: M. Machado
RELATED BILLS: AB 2221 (Wolk); AB 2642 (Niello)

BILL SUMMARY: Unclaimed Property

This bill would amend various sections of unclaimed property law in order to increase protections for owners of lost property.

Specifically, this bill would:

- Require the payment on interest on the amount of any claim paid to the owner for the period the property was on deposit in the Unclaimed Property Fund.
- Impose civil penalties instead of fines for noncompliance of transfer and reporting requirements, and increase the penalty from \$100 to \$200 per day up to a maximum of \$10,000. The State Controller's Office (SCO) would be allowed to waive the penalties for good cause.
- Increase the holding period of property with no apparent commercial value to seven years.
- Require financial institutions holders to disclose to new account owners that when an account or safe deposit box is opened, the property could escheat to the state due to inactivity.
- Require holders to comply with all provisions of the unclaimed property law in order to be relieved of all liability for the property.
- Provide that a claimant is not entitled to any market appreciation of the value of their securities occurring after the SCO has sold them. However, the claimant would receive interest for the period after the securities are sold.

FISCAL SUMMARY

According to the SCO, this bill would result in a net receipt reduction of unclaimed property to the General Fund (GF) of \$10.7 million in 2008-09 for interest paid on claims. However, there would be net receipt increases of \$4.6 million in 2009-10 and \$18.9 million in 2010-11. Beginning in 2009-10, the interest paid on claims would be offset by new civil penalties paid by holders who file late reports, fail to provide corrected reports upon request by the SCO, and fail to comply with due diligence requests. According to the SCO, there are an estimated 600,000 businesses in the state with some reportable property. However, only about 16,000 businesses (2.7 percent) actually file annual reports on their escheatable property. These penalties are expected to provide incentives for holders to comply and should increase voluntary compliance. The SCO's fiscal projection for the collection of increased penalties appears optimistic and may not be achievable.

Decreased transfers to the GF from the Unclaimed Property Fund will occur as increased program support costs are necessary to implement this bill. According to the SCO, staffing and program support costs would increase by \$548,000 in 2009-10 to retain safe deposit box contents for seven years, enforce the new civil penalty provisions, and other administrative support. Beginning in 2010-11, the ongoing support costs would be \$326,000. The staffing increase would be subject to review and approval through the budget development process.

Please note, although the program costs are attributed to a special fund, support expenditures from this fund reduces the net amount that would otherwise transfer to the GF.

COMMENTS

Finance opposes this bill for the following reasons:

Analyst/Principal (0190) O. Chaves	Date	Program Budget Manager Veronica Chung-Ng	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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